

How High Is Up? Generic Prices Rise

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The message left by my answering service read, “Patient requesting a cheaper cream.” Surely it was an error; the small tube of generic desonide I had prescribed could not have cost more than \$20. Questions to my local pharmacist opened a floodgate. He ticked off a list of generics whose prices were climbing and produced a pharmacy newsletter voicing similar concerns.

I looked for a way to verify these claims. Although there were several sources of current price information, it was difficult to find recent historical data for comparison. I found the information I needed on the Medicaid Web site.¹ The site contained a nationwide survey of drug pricing information, providing average weekly purchase prices of medications by retail community pharmacies beginning in October 2012. I compared base prices with those from a year later. The contrast revealed striking price increases for a number of generic medications. The greatest increase was for 100-mg tablets of doxycycline hyclate with a more than 65-fold increase, a jump from \$3.40 to \$222.68 for a month of twice-daily dosing. It was followed by 25-mg capsules of clomipramine and 2-mg tablets of albuterol sulfate with 50-fold and 39-fold increases in prices, respectively. Fluconazole, another medication commonly prescribed by dermatologists, also was high on the list, with a 15-fold increase for the 100-mg tablet.²

There were remarkable increases for several topical dermatologicals. The list was headed by desonide ointment 60 g and hydroquinone cream 4% whose prices climbed 9.5-fold, an increase from \$19.55 to \$185.83 for a tube of desonide. Halobetasol propionate ointment 15 g showed an almost 7-fold increase, and clindamycin phosphate 60 mL solution had a 5.5-fold increase.³ The Table depicts some of these data.

These numbers only reflect increases beginning in October 2012, yet the problem is not new with regard to topical dermatologicals.⁴ Other cutaneous medications whose average wholesale prices have at least

quadrupled since the last printed version of *Red Book* in 2010 and values recently accessed online include some formulations of betamethasone dipropionate, hydrocortisone valerate, fluocinolone acetonide, and permethrin. For 15-g tubes of generic mycolog, the increase was more than 24-fold.^{5,6}

These dramatic price changes create particular problems for independent pharmacists. When costs rise this quickly, the delay of third-party payers in updating their reimbursements leaves pharmacists stuck in the middle, unable to provide medications without risking financial loss. Ultimately, however, the main costs are borne by patients and the health care system. Individuals without insurance, those with high deductibles, and senior citizens with a gap in prescription drug coverage are particularly affected.

Rising health care costs pose a serious problem that impairs access to care by patients, inhibits hiring by employers, and induces further involvement of government in the practice of medicine. Pharmaceuticals are a major part of this expense. Increases in the cost of name-brand drugs are not surprising. Between patent protection and insulation from reduced demand by insurance coverage, there is little reason for producers to keep prices in check. But generics are supposed to be different; prices should be restrained by competition among suppliers.

Payette and Grant-Kels⁷ provided a comprehensive overview of generic drugs in dermatology, highlighting their ability to substantially reduce health care costs. The predominance of generics over name-brand drugs has produced notable savings. Data from a health care research fund indicated that 84% of dispensed prescriptions in 2012 were generic, contributing to an actual drop in prescription drug spending in that year.⁸ The hidden danger of this pervasiveness, however, is that it magnifies the ability of generic price surges to raise health care costs.

What is fueling these increases? In the case of doxycycline, drug shortages have been invoked as a cause, yet only 1 of 10 manufacturers who were contacted indicated a raw material shortage as an explanation for the problem, according to data from the American Society of Health-System Pharmacists.⁹ Another reason, particularly in the case of topical dermatological agents, may be a reduction in competition due to the limited number of generic suppliers.

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The author reports no conflict of interest.

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Cost Analysis of Generic Topical Dermatologicals (October 2012–October 2013)^a

NDC Description	NADAC Per Unit ^b	Units Per Package	Pricing Unit	Cost Per Package	Ratio of Cost ^c to 1 Year Prior
Desonide ointment 0.05%	3.09723	60.00	g	\$185.83	9.51
Hydroquinone cream 4%	2.82112	28.35	g	\$79.98	9.49
Desonide cream 0.05%	4.13394	60.00	g	\$248.04	9.27
Halobetasol propionate ointment 0.05%	3.96437	15.00	g	\$59.47	6.86
Halobetasol propionate cream 0.05%	2.83587	50.00	g	\$141.79	6.80
Halobetasol propionate ointment 0.05%	2.76095	50.00	g	\$138.05	6.64
Clindamycin phosphate solution 1%	0.90598	60.00	mL	\$54.36	5.57
Desonide cream 0.05%	4.21352	15.00	g	\$63.20	5.12
Halobetasol propionate cream 0.05%	3.80982	15.00	g	\$57.15	5.07
Desonide ointment 0.05%	3.15347	15.00	g	\$47.30	4.96
Alclometasone dipropionate cream 0.05%	1.50982	45.00	g	\$67.94	3.60
Clindamycin phosphate gel 1%	1.73123	30.00	g	\$51.94	3.26
Hydrocortisone butyrate ointment 0.1%	1.26013	45.00	g	\$56.71	3.22
Alclometasone dipropionate cream 0.05%	1.28453	60.00	g	\$77.07	3.18
Alclometasone dipropionate cream 0.05%	2.35686	15.00	g	\$35.35	3.15
Clindamycin phosphate lotion 1%	1.20087	60.00	mL	\$72.05	3.07

Abbreviations: NDC, National Drug Code; NADAC, National Drug Acquisition Cost.

^aThis table lists generic topical dermatologicals that have more than tripled in cost over a year's time, excluding items less than \$30. Data were extracted from the Long Island Dermatological Society³ based on source data obtained from a nationwide weekly survey, commissioned by the federal government, of prices paid by retail community pharmacies.¹ NADAC weekly comparison files from surveys on October 4, 2012, and October 3, 2013, were combined and sorted to obtain price ratios and to select topical dermatologicals. Packaging information has been added based on NDC listings. Actual prices may vary from averages, and consumer prices generally are higher, reflecting pharmacy markups.

^bThe national average drug acquisition cost per pricing unit for the October 3, 2013, survey.

^cThe ratio of cost reflects the quotient of the NADAC per unit value from this recent survey divided by that from the initial survey 1 year prior (October 4, 2012).

Increased scrutiny of manufacturing practices by the US Food and Drug Administration may discourage potential producers, as issues of cutaneous absorption must be considered in proving generic equivalence.⁴ A US Food and Drug Administration analysis has shown that prices of generics are inversely proportional to the number of entries in the market,¹⁰ which is consistent with changes over the past year for dermatologic topicals. Only 3% of drugs whose prices rose over 100% were produced by 4 or more suppliers versus 33% of those having at least a 10% drop.³ The trend toward consolidation of generic manufacturers will only make matters worse. Although many of these factors help to account for pricing changes, they do not fully explain the magnitude of the problem. It would certainly help if more transparency were brought to this murky domain.

Pharmaceutical corporations have a fiduciary responsibility to their stockholders, which helps to clarify their decisions. Decisions made by physicians, on the other hand, are complicated by intersecting, sometimes competing ethical obligations to patients, our profession, and the health care system. Although it may be true that protecting the system ultimately benefits both patients and physicians, our responsibility to patients should always come first. So how can we fulfill these patient obligations while minimizing harm to the system? One way is to maximize value, delivering high-quality care in a cost-effective manner.

Making economical but high-value choices in prescribing can help our patients in both the short-term and long-term. Information on current pricing required for making these choices is often available on the drug information databases of our e-prescribe services. Alternatively, you can access data from the federally sponsored cost survey, sorted by price as well as by name, on a local society Web site.³ Raw data also can be downloaded directly from the Medicaid Web site.¹

Our health care system is under challenge. How well it survives this challenge may depend on how quickly the cost of health care rises. There will always be a role for brand-name medications and expensive generics, particularly when they provide distinct advantages for our patients. But if there are steps that we can take that will reduce the cost of health care

without appreciably reducing its quality, I believe it would be foolish not to take them. At a time when overwhelming forces seem to be leaving physicians with ever-diminishing influence, it is important to remember the power we have left and to use it wisely.

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